

MAY 19 1978

COUNTY OF LOS ANGELES

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May 15, 1978

Real property tax--CA--LA co.

To: Each Supervisor
From: Harry L. Hufford, CAO
Subject: IMPACT OF PROPOSITION 8 AND 1978-79 ASSESSED
VALUATION ON TAX RATE

Pursuant to the provisions of 27421 of the Government Code the County Assessor's Office has provided those school districts and municipalities which filed requests with estimates of their 1978-79 assessed valuation.

In order for the Board to evaluate the impact which these assessed valuation increases will have on individual homeowners tax bills, I have analyzed the impact of SB 1 and approval by the voters of Proposition 8 on several areas within the County which were reassessed this year. In summary the impact of Proposition 8 on the reassessment is as follows:

- The County General Fund property tax rate for homeowners will decrease approximately from \$4.2544 in 1977-78 to \$2.3439 in 1978-79, a decrease of \$1.9105 or 44.9% if the proposed budget is approved by the Board.
- The average total tax rate will decrease from \$12.93 in 1977-78 to \$7.84 in 1978-79, a decrease of \$5.09 or 39.3%.

- The taxes of the 1,000,000 homeowners whose property is not reassessed in 1978-79 will go down an average of 39.3%.
- Property which is reassessed upward by 50% will be 5.0% lower than the 1977-78 taxes notwithstanding the increase in assessed valuation.
- The taxes on all homeowner property which receives a reassessment of less than 60% will decrease in 1978-79. Thus 70% or more of the total homeowners in the County will have a tax bill decrease in 1978-79.

These estimates assume that each school district, special district, and city will levy the maximum tax rate allowable under SB 1. Some may levy less than the maximum actual taxes which may be lower than the estimates shown above and in the attachments.

The dramatic impact is caused by the following factors:

Welfare Buyout - State assumption of the homeowners share of Medi-Cal, SSI/SSP and AFDC.

State Tax Assistance - State subvention of 30% of homeowners taxes.

Local Government Tax Levy Limitations - Limitations on the property taxing authorizing of cities, districts and counties to a maximum of the Cost of Living Index increase for local government set at 6.55% for 1978-79. Any increase in assessed valuation in excess of 6.55% must be used to decrease the tax rate.

Split Tax Roll - Under Proposition 8 and SB 1 any assessed valuation increase for residential property which exceed 6.55% is used to reduce homeowners tax rates only.

The Assessor will be releasing information on the total assessment roll in July.

I would like to emphasize that this decrease in property taxes for the majority of taxpayers and the relatively small increase for others is financed by a combination State budget surplus and local government spending controls. No new taxes at the State level or fees at the local level will be imposed and no services are being reduced or eliminated as would be necessary under Proposition 13.

HLH:MIG:hi
Attachments

\$50 million for AB 90, state revenue sharing, and the health and welfare buyout, would add to a \$1.5 billion total in assistance to counties.

2. UPDATE ON PROPOSITION 13 LAWSUITS: All briefs have now been submitted in the five suits filed in the California Supreme Court testing the constitutionality of Proposition 13. If the court decides to hear any or all of these suits, it is expected to act within two weeks' time.

In the case of the suit led by Alameda County, the court could proceed to a decision without hearing oral arguments. Because Alameda County was permitted to file a written response to the Attorney General's brief for the defendants, the county will not insist upon oral argument, and the Attorney General may waive this right also.

The Alameda County Counsel's office points out that the court could, instead of reaching an immediate decision on the merits, issue an interim order staying the effect of Proposition 13, or of some part thereof, pending a final decision. Also, of course, the court could deny the county's petition, which would not stand as a decision on the merits, but would require the county to re-initiate its action in a lower court.

We are informed that Humboldt, Solano and Mono Counties have dropped out of the county suit, leaving Alameda, Lassen, Mariposa, Shasta and Siskiyou Counties as plaintiffs.

3. SPECIAL DISTRICTS: CSAC's proposal to have county boards of supervisors determine each special district's allocation of the state surplus appropriated for all special districts in the county is under serious legislative consideration. In order to assure that the Legislature's objectives for allocation surplus funds are realized, the Conference Committee may specify criteria which the boards of supervisors would follow including: (a) First priority shall be given to the funding of fire and police protection services at their 1977-78 service levels; (b) Districts with no surplus (unobligated) revenues or reserves shall be given priority in the allocation of available funds over districts which have such surplus funds; and (c) Priority shall be given to those special districts which have relied most heavily upon revenues derived from property taxation. Priority shall be given to those districts not authorized to utilize non-property tax revenue sources, such as fees, rates, and tolls. CSAC suggested the one-year allocation by boards to special districts since counties can act quickly to distribute funds based on local needs and priorities. County boards should be prepared to make such distribution expeditiously should the Legislature assign counties this responsibility.

4. BOARD OF EQUALIZATION ADOPTS ASSESSMENT POSITIONS: Last Thursday (6/15) the state Board of Equalization adopted a number of positions relating to Prop. 13: 1) The allowable 2% inflation increase applies to each year after 1975-76; and 2) The value of property is that value appearing on the assessment roll as of 1975-76 (except for new construction and ownership changes) and that the rolls shall not be updated to the 1975-76 level. These positions are not Board of Equalization rules. Rule language is being drafted for Board action June 29. The Board positions have generated considerable legislative discussion on possible legislation to allow or require assessment rolls to be brought forward to the 1975-76 level. If such legislation is adopted before June 29, it would affect the pending Board rule. CSAC will urge the Board of Equalization to interpret Prop. 13 to allow assessors to revalue all property to the 1975-76 level, increased by 2% per year for inflation. CSAC is also talking with legislators about legislation on this issue.

In addition to the above, the Department of Finance proposed a \$200-\$500 million flexible fund to counties to be allocated as they deem necessary. CSAC has serious concerns as to the ramifications of several of the elements in this proposal. We are particularly concerned with a 10% share of AFDC grants at a cost of \$190 million, a \$24 million cost for foster care, and the cost of a required maintenance of effort at the 1977-78 level for county health systems.

(B) REPUBLICAN PROPOSAL: Senator Campbell and Assemblyman Priolo announced a Republican proposal which included the use of \$4 billion of the surplus. However, the proposal included \$2.6 billion for schools (K-14), and \$1.4 billion for counties, cities and districts. In addition, after allocating the schools share, they proposed only providing a one-quarter allocation to local governments (\$350 million) at this time, requiring the legislature to develop an allocation for the remainder of the local governments surplus share at a later date. This would mean that all local agencies would still be totally unaware of their funding levels at the time of budget adoption.

The proposal also included a full funding for police and fire (details unknown), and legislative approval of SCA 42 (state and local spending limits).

Speaker McCarthy and Pro-tem Mills expressed strong opposition to the three month surplus funding proposal.

3. FRIDAY AFTERNOON: CSAC RESPONSE: Following an emergency meeting of the CSAC Negotiating Committee, by conference call, informed the Conference Committee that it was strongly opposed to the "three month surplus proposal." This will make it impossible for counties to prepare budgets--or substantially increase the necessity for lay offs and other serious service reductions.

The conference Committee was also told that full funding of police and fire would not enable local governments to reduce lower priority activities within these program areas to enable funding of other higher priority programs. Serious concern was also expressed regarding a \$1.4 billion allocation to local governments. This will leave an inadequate amount for the CSAC buy out proposal.

It is essential that Supervisors contact their legislators NOW to assist us in building support for the CSAC funding proposal. This must be done now--and preferably by personal phone call.

4. LATE FRIDAY AFTERNOON: Senator Rodda has presented the following "talking plan" to the Conference Committee:

- A. \$1 billion Emergency Loan Fund-repayment by 12/31/78.
- B. Pro rata distribution of the 1% property tax. Each county will levy a \$4.00 tax rate, county wide.
- C. State buy out of SSI/SSP, Medi-Cal and AFDC.
- D. 85% or 90% funding guarantee to schools (\$2.6 billion).
- E. \$100 million to cities with a \$1.50 tax effort level.
- F. \$150 million for special districts--to be allocated by counties for dependent districts, and directly to independent districts.

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